

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
UPPER PENNINSULA POWER COMPANY)	
for authority to reconcile 2015 power supply costs)	Case No. U-17671-R
and revenues.)	
_____)	

At the November 22, 2016 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On March 31, 2016, Upper Peninsula Power Company (UPPCo) filed an application, with supporting testimony and exhibits, requesting approval of its power supply cost recovery (PSCR) reconciliation for the 12-month period ended December 31, 2015.

A prehearing conference was held on May 25, 2016, before Administrative Law Judge Martin D. Snider (ALJ). UPPCo and the Commission Staff participated in the proceedings. The ALJ granted intervenor status to Michigan Technological University (MTU) and Citizens Against Rate Excess (CARE). Subsequently, UPPCo, the Staff, and MTU submitted a settlement agreement resolving all issues in the case. CARE filed a statement of non-objection to the settlement agreement.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that UPPCo had a 2015 net underrecovery of \$7,164,507, which reflects the roll-in of the authorized 2014 overrecovery of \$223,269 and interest. The parties further agree that UPPCo should be authorized to reflect the net 2015 power supply cost underrecovery of \$7,164,507 as its 2016 PSCR reconciliation beginning balance.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. Upper Peninsula Power Company shall reflect the net 2015 power supply cost underrecovery of \$7,164,507 as its 2016 power supply cost recovery reconciliation beginning balance.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel.

Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungpl@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of November 22, 2016.

Kavita Kale, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
UPPER PENINSULA POWER COMPANY)	Case No. U-17671-R
for authority to reconcile 2015 power supply)	
<u>costs and revenues.</u>)	

SETTLEMENT AGREEMENT

As provided in § 78 of the Administrative Procedures Act of 1969 (“APA”), as amended, MCL 24.278, and Rule 431 of the Michigan Administrative Hearing System’s Administrative Hearing Rules, 2015 ACR 792.10431, Upper Peninsula Power Company (“UPPCO”), the Michigan Public Service Commission Staff (“Staff”) and Michigan Technological University (“MTU”) hereby agree as follows:

1. On March 31, 2016, UPPCO filed with the Michigan Public Service Commission (“Commission”) its Application, along with the testimony and exhibits of Aaron L. Wallin, seeking authority to reconcile its power supply costs with its power supply revenues for the 12-month period ending December 31, 2015.

2. On May 2, 2016, the Commission’s Acting Executive Secretary issued a Notice of Hearing directing UPPCO to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships, and counties in its electric service area and to intervenors in Case Nos. U-17298-R and U-17671. The Commission further directed UPPCO to publish the Notice of Hearing in daily newspapers of general circulation throughout its service area. Complying with

the directives, UPPCO electronically filed an affidavit of mailing and proofs of publication on May 24, 2016.

3. On May 25, 2016, Administrative Law Judge Martin D. Snider presided over a prehearing conference in this matter, and Staff entered its Appearance. MTU and Citizens Against Rate Excess (“CARE”) intervened.

4. On August 22, 2016, the Staff filed the testimony and exhibit of Diane M. Martin, and CARE filed the testimony and exhibits of Douglas B. Jester.

5. On September 23, 2016, UPPCO filed the rebuttal testimony of Mr. Wallin.

6. Subsequently, Staff, UPPCO and MTU entered into settlement discussions and as a result thereof have agreed to settle all contested issues as follows:

- a. The 2015 power supply expenses were incurred under reasonable and prudent policies and practices.
- b. For the 12-month period ending December 31, 2015, it is agreed that the difference between PSCR revenues and expenses for 2015 is (\$7,164,507) and represents a net under-recovery. This amount reflects the 2014 rolled-in over-recovery of \$223,269, as authorized in Case No. U-17298-R and interest. It is agreed that UPPCO will reflect the 2015 power supply cost under-recovery of \$7,164,507 as its 2016 PSCR reconciliation beginning balance.

7. It is the opinion of all signatories that this settlement agreement is reasonable, in the public interest, and will aid in the expeditious conclusion of this case.

8. This settlement agreement is intended for a final disposition of Case No. U-17671-R, and the parties join in respectfully requesting that the Commission grant prompt

approval. Each signatory agrees not to appeal, challenge or contest the Commission's order accepting and approving this settlement agreement without modification. It is agreed that if the Commission does not accept this settlement agreement in its entirety, then the agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

9. This settlement agreement and all offers of settlement and discussions are privileged and shall not be used in any manner, nor be admissible, for any other purpose in connection with this proceeding or any other proceeding except so as to prove the contents herein.

10. All signatories agree to waive § 81 of the APA as amended, MCL 24.281, as it applies to the issues in this proceeding, if the Commission approves this settlement agreement without modification.

UPPER PENINSULA POWER COMPANY

Sherri A.

Digitally signed by: Sherri A. Wellman
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= MillerCanfield
Date: 2016.10.31 10:53:45 -05'00'

Dated: October 31, 2016

By: Wellman

Its Attorney
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MICHIGAN PUBLIC SERVICE COMMISSION STAFF

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Dated: October 31, 2016

By:

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